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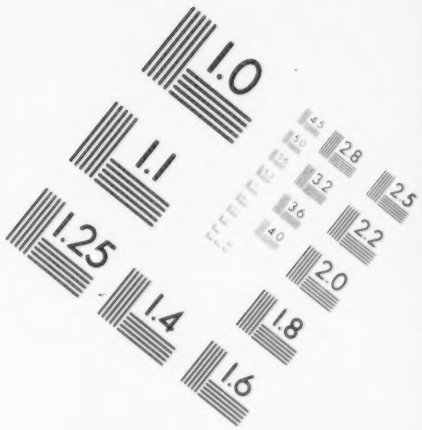

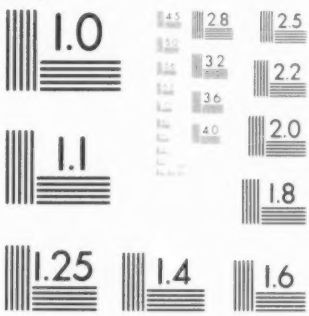

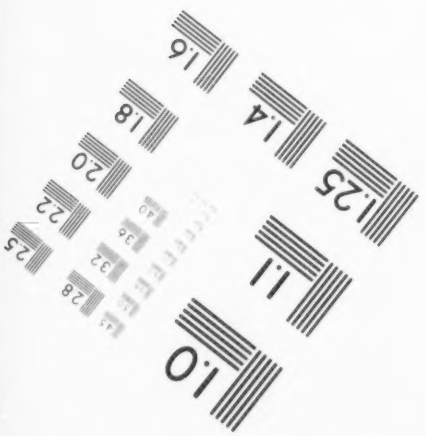

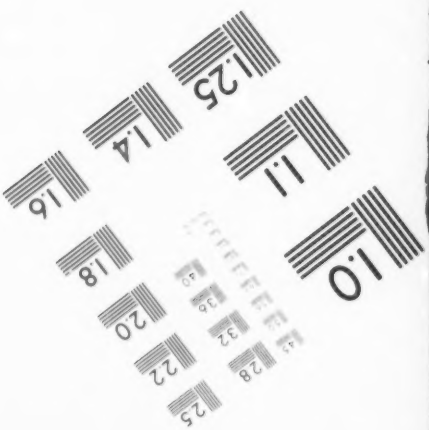

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ABSTRACT

The National Commission for Employment Policy (NCEP) is an independent federal agency authorized under the Job Training Partnership Act (JTPA) of 1982. NCEP analyzes employment and training issues and policies and recommends to the President and Congress areas in which policy or programmatic changes would assist the U.S. work force in becoming more productively employed. This document describes the activities of NCEP during the program year July 1, 1991 to June 30, 1992. Activities included the following: (1) research in five areas related to the U.S. labor market--anticipating economic change, responding to a changing labor force, improving coordination of federally sponsored employment and training programs, overseeing implementation of the JTPA, and enhancing the scope of employment and training programs; (2) preparation of policy documents as a result of the research and proposal of changes in legislation as suggested by the results; and (3) preparation of 32 policy reports, 111 research reports, and 11 monographs (cited in the document). The document also contains photos of NCEP activities and a list of commission members and staff members. (KC)

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Annual Report

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2nd Senatorial District
Sufffolk, NY

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Corporate Vice President
Ethics and Business Conduct
Northrop Corporation
Los Angeles, CA

Annual Report

Seventeenth Annual Report of the National Commission for Employment Policy

Program Year 1991

July 1, 1991 to June 30, 1992

Report Number 32

September 1992

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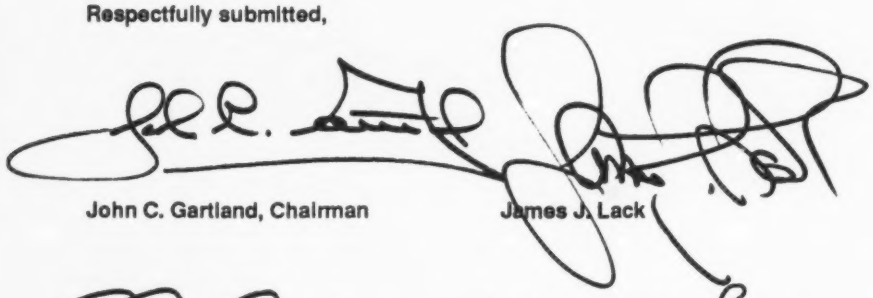
Transmittal

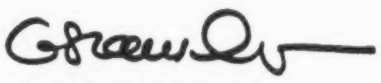
TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES

In accordance with Title IV, Section 475 of the Job Training Partnership Act of 1982 (Public Law 97-300), it is with great pleasure that we transmit the Seventeenth Annual Report of the National Commission for Employment Policy. This report presents the Commission's activities during Program Year 1991(July 1, 1991 through June 30, 1992).

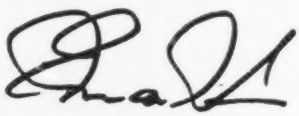
Respectfully submitted,



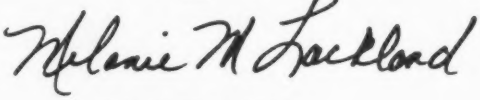
John C. Gartland, Chairman **James J. Lack**



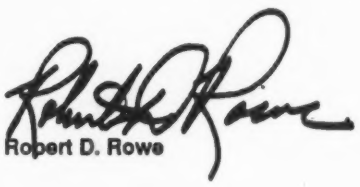
Henri S. Rauschenbach



Eduardo Aguirre, Jr.



Melanie M. Lackland



Robert D. Rowe

Charles G. Bakaly, Jr.

J. Michael Levesque

Robert O. Snelling, Sr.

Mark D. Cowan **Margot E. Machol** **Roger J. Whyte**

Donald W. Jones **Shirley V. Peterson**

Message

A Message from the Chairman

The National Commission for Employment Policy focused on public policy issues in employment and training during Program Year 1991 that were critical to the United States economy. Our research, conferences, and Congressional testimony provided us with the tools to influence Administration and Congressional actions on employment and training issues. They also brought the private sector more directly into the policymaking process on employment and training issues.

The United States has not experienced employment gains over the past two years similar to those of the 1980s. We recognize the reasons for this: the recession, increased costs to business from higher levels of government regulation, increased tax rates, and dislocations due to such factors as imports and productivity increases, among others. We believe that the time is ripe to reassess the principles underpinning an economic policy that maximizes employment growth. The seven principles presented below show that our Nation's economic policies need to promote development of our greatest resource -- human capital -- if we are to meet the opportunities posed by an increasingly competitive world economy.

- Economic growth is the first best solution to increasing employment; therefore, employment considerations should be an integral and explicit part of economic policymaking at all levels.

- Government should adopt macroeconomic policies that are favorable towards generating increased demand for employment.

- Government should not take any actions that deliberately and unnecessarily result in worker dislocations and layoffs in the private sector.

- The government should maximize the role of the private sector in government-sponsored job training programs; public/private partnerships are vital for addressing our economic problems and their con-

sequences for employment, training, and the workplace.

- State and local flexibility and participation in the design of job training programs is critical; only state and local service providers can offer services tailored to local needs.

- International trade policies should be pursued that maximize opportunities for American workers; an open trading system is the best mechanism for accomplishing this goal.

- The Nation's educational system and each family need to work together and reinforce each other to ensure that today's youth are educated to meet the demands of the increasingly complex and competitive workplace.

Adherence to the principles listed above is critical to achieving sustainable employment opportunities. The challenges facing our employment and training system are enormous. As employment opportunities for a more diverse group of workers expand, greater skill levels will be required. Technological advances are changing the workplace. Employment patterns in the United States will change as the mix of the service and manufacturing sectors continue to evolve in response to domestic demand and foreign competition. Regional and other trade agreements that will be implemented in the coming years will also affect employment patterns.

As I conclude my fourth year as chairman, I would like to note that it has been a pleasure to work with Commissioners and staff who are dedicated to addressing the Nation's employment and training needs.

JOHN C. GARTLAND
Chairman

September 17, 1992

Members

Members of the Commission During Program Year 1991

JOHN C. GARTLAND
CHAIRMAN
Potomac, Maryland

Mr. Gartland was designated Chairman of the Commission by President Bush in April 1989. He was appointed to the Commission on March 3, 1987, and re-appointed on September 29, 1989. He is Director of Washington Affairs for Amway Corporation in Washington, D.C. Mr. Gartland is a member of the U.S. Chamber of Commerce and the advisory board of the Close-Up Foundation, and Chairman of the Jefferson Foundation.

EDUARDO AGUIRRE, JR.
Houston, Texas

Mr. Aguirre was appointed as a Commissioner on January 2, 1991 by President Bush. He is Senior Vice President of NationsBank in Houston, Texas where he is responsible for international private banking activities nationwide. His past appointments include the Texas Job Training and Coordinating Council and as a non-attorney Director of the State Bar of Texas.

CHARLES G. BAKALY, JR.
Pasadena, California

Mr. Bakaly was appointed to the Commission by President Bush on May 18, 1992. He is a Senior Partner in the law firm of O'Melveny & Myers in Los Angeles, California. He has authored books and articles on labor and employment law. He is a past chairman of the American Bar Association's Section on Labor and Employment Law and a Fellow of the American College of Trial Lawyers.

LYNNE F. EGGE
Alexandria, Virginia

Ms. Egge was appointed as a Commissioner on January 2, 1991 by President Bush. She has served as Secretary-Treasurer of the Independent Union of Flight Attendants (IUFA) and as Base Chairperson of IUFA's Washington base. She also served on the IUFA Executive Board. From 1967 to 1991, Ms. Egge served as a Flight Attendant and Purser for Pan American World Airways, Inc. Ms. Egge resigned from the Commission in April 1992.

JAMES J. LACK
East Northport, New York

Mr. Lack was appointed to the Commission by President Bush on May 18, 1992. He began serving in the New York State Senate in January 1979, representing the western portion of Suffolk County, Long Island. He serves as Chairman of the Senate Labor Committee and the Majority Steering Committee. He is a partner in the law firm of Smyth & Lack in Huntington, New York, and a member of the New York State Job Training Partnership Council and the Youth Employment Advisory Council.

J. MICHAEL LEVESQUE
West Warwick, Rhode Island

Mr. Levesque was appointed Commissioner on June 10, 1988 and was re-appointed by President Bush on May 30, 1991. He is Mayor of West Warwick, Rhode Island. Mr. Levesque has served on various state and local committees such as Strike Force for Literacy, Rhode Island Adult Education Literacy Council, and the Industry-Education-Labor Council.

DONALD W. JONES
Springfield, Missouri

Mr. Jones began his first term as Commissioner on June 6, 1988, and was re-appointed by President Bush on May 30, 1991. He is a partner in the law firm of Hulston, Jones, Gammon & Marsh in Springfield, Missouri. Mr. Jones is a member of the Missouri and Greene County Bar Associations and the American Bar Association.

MELANIE M. LACKLAND
Columbus, Ohio

Ms. Lackland was appointed as a Commissioner by President Bush on April 10, 1991. She is the Chief Administrative Officer for the Ohio Department of Transportation. Ms. Lackland has over fifteen years experience in human resource management and employee relations in both the public and private sectors.

MARGOT E. MACHOL
Washington, D.C.

Ms. Machol was appointed to the Commission by President Bush on October 31, 1990. She is President of Chesapeake Associates, an economic consulting firm. She served as a Commissioner of the Federal Trade Commission from 1988 through 1990. From 1985 to 1988, she was Special Assistant to the Chairman of the Council of Economic Advisers.

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FRANK D. MCDONALD
Thousand Oaks, California

Mr. McDonald is serving a second term as Commissioner, appointed on July 30, 1985, and re-appointed February 1, 1988. He is a real estate developer in Thousand Oaks, California. Prior to this, he was President of McDonald Enterprises, a plastics and industrial property firm in Newbury Park, California. Mr. McDonald's term expired on September 30, 1991.

J. FERNANDO NIEBLA
Santa Ana, California

Mr. Niebla was appointed to the Commission by President Bush on December 10, 1990. He is President of Infotec Development, Inc., a company that he founded in 1978 to provide computer-related technical services and products. Mr. Niebla is a member of the U.S. Senate Republican Conference Task Force on Hispanic Affairs. His term expired on March 20, 1992.

HENRI S. RAUSCHENBACH
Brewster, Massachusetts

Mr. Rauschenbach was appointed to the Commission by President Bush on December 10, 1990. He was elected to the Massachusetts Senate in 1988 from the Cape and Islands district. He is Chairman of the Cape Cod/Martha's Vineyard/Nantucket Regional Employment Board, a member of the Massachusetts' JOBS Council.

JERRY J. NAYLOR
Agoura, California

Mr. Naylor was appointed as a Commissioner on November 21, 1985, and re-appointed on September 21, 1988. He is Senior Partner of The Hoffman Naylor Group, a public relations organization producing media concepts and events. Prior to this, he served as Vice President of Capital Programs at California Lutheran University. Mr. Naylor's term expired on September 30, 1991.

SHIRLEY V. PETERSON
Playa del Rey, California

Ms. Peterson was appointed to the Commission by President Bush on January 3, 1992. She is Corporate Vice President for Ethics and Business Conduct at Northrop Corporation. Prior to joining Northrop, she served as Administrator of the Office of Employment Security at the U.S. Department of Labor and as Executive Director of the North Dakota Job Service.

A. WAYNE ROBERTS
Burlington, Vermont

Mr. Roberts was appointed as a Commissioner on October 1, 1986, and re-appointed in October 1988. He is President of the Lake Champlain Regional Chamber of Commerce in Vermont. Prior to this, he was Deputy Under Secretary (1983-86) and the Secretary's Regional Representative (1981-83) at the U.S. Department of Education. Mr. Robert's term expired on September 30, 1991.

ROBERT D. ROWE
Fort Wayne, Indiana

Mr. Rowe was appointed to the Commission by President Bush on May 17, 1991. He is currently the President of Rowe Industries as well as an investment broker for Century 21 Aboite in Fort Wayne, Indiana. Prior to this, Mr. Rowe was Director of Vice President Dan Quayle's Indiana office. He also serves on the Advisory Board of Lincoln National Bank in Huntington, Indiana.

ROGER J. WHYTE
Bethesda, Maryland

Mr. Whyte was appointed to the Commission by President Bush on October 20, 1990. Since 1987, he has been a Vice President at A.T. Kearney Executive Search. From 1984 to 1987, Mr. Whyte served as Deputy Under Secretary of Commerce for Travel and Tourism. He is a member of the Industry Sector Advisory Committee on Service Industries to the U.S. Trade Representative and the Secretary of Commerce.

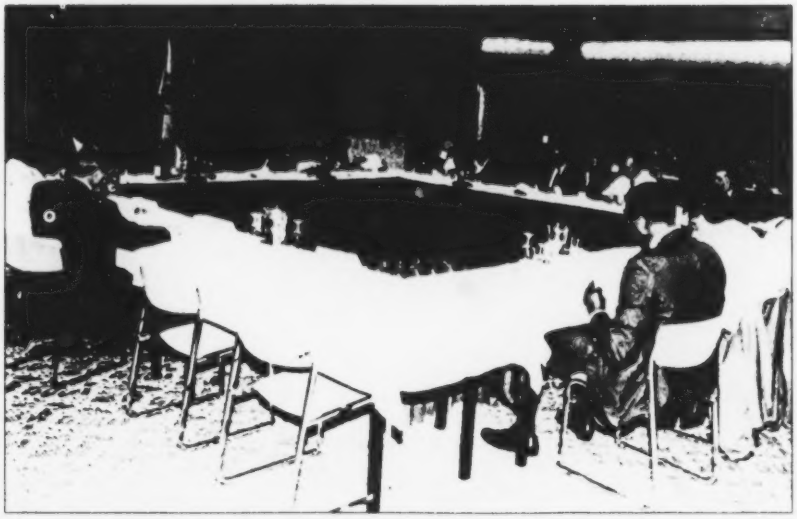
ROBERT O. SNELLING, SR.
Dallas, Texas

Mr. Snelling was appointed to the Commission by President Bush on May 18, 1992. He is Chairman and CEO of Snelling and Snelling, Inc., a personnel services firm. He served on the U.S. Department of Labor's Committee on Employment and Unemployment and was appointed by Congress to serve on the White House Conference on Small Business. He is the author of several books and articles on employment issues.

JAMES W. WINCHESTER
Pass Christian, Mississippi

Dr. Winchester was appointed as a Commissioner on May 16, 1987, and re-appointed in May 1988. He is President of Winchester and Associates, Inc., a management consulting firm in Pass Christian, Mississippi. He served previously as Associate Administrator of National Oceanic and Atmospheric Administration at the U.S. Department of Commerce. Dr. Winchester's term expired on September 30, 1991.

Mandate



Commission Meeting in Orlando, Florida.

The Role of the Commission

The National Commission for Employment Policy is an independent federal agency authorized under the Job Training Partnership Act (JTPA) of 1982. The Commission analyzes employment and training issues and policies and recommends to the President and Congress areas where policy or programmatic changes would assist the Nation's workforce in becoming more productively employed. The Commission was originally established in 1973 as the National Commission for Manpower Policy by the Comprehensive Employment and Training Act (CETA) and was given its present name in the 1978 amendments to CETA.

The Commission is comprised of 15 members, appointed by the President, who are broadly representative of the sectors of the Nation concerned with employment and training matters. The Commissioners serve in a voluntary capacity for three-year terms, reflecting their experience as business and labor leaders, human resource professionals, and state and local elected officials. The President designates one Commissioner as Chairman. The Commission is supported by a professional and administrative staff.

The Commission's broad mandate allows it to examine issues of development, coordination, and administration of employment and training programs. Among the Commission's major responsibilities are:

- identifying the employment goals and needs of the Nation, and assessing the extent to which employment and training, vocational education, public assistance policies, and other policies and programs under JTPA and other laws represent a consistent, integrated, and coordinated approach to meeting such needs and achieving such goals;

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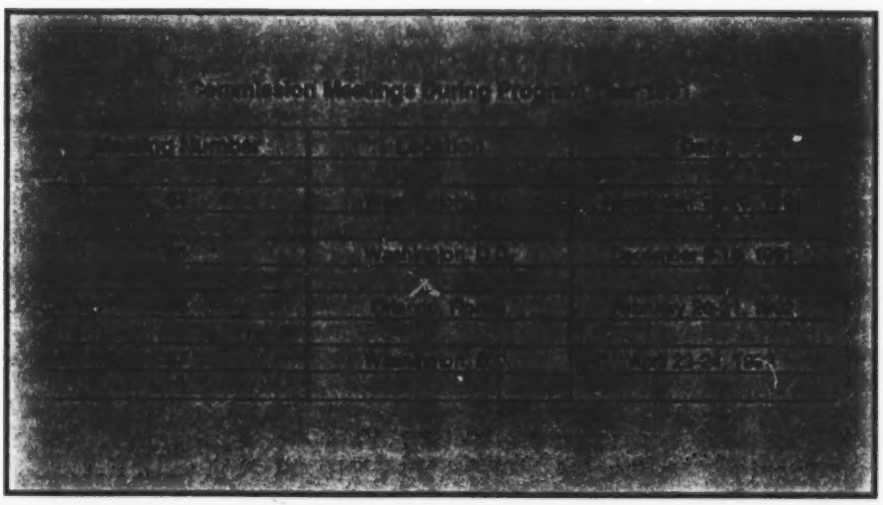
- examining and evaluating the effectiveness of federally-assisted employment and training programs, including those under JTPA as well as other laws;

- identifying and assessing the goals and needs of the Nation with respect to economic growth and work improvements, including conditions of employment, organizational effectiveness and efficiency, alternative working arrangements, and technological changes; and

- advising the Secretary of Labor on the development of national performance standards and the parameters of variations of such standards for JTPA programs.

To meet its responsibilities, the Commission conducts and sponsors research, holds public hearings and conferences, visits employment and training sites, and then synthesizes findings from these activities and prepares recommendations for the President, the Congress, and Executive Branch agencies. In addition to presenting its reports to the President and the Congress, the Commission distributes them widely to the various federal departments and agencies, state and local government officials, members of the education and employment and training communities, public policy researchers, and the public.

The Commission is required to meet no fewer than three times each year. The meetings are public; dates and times are published in the Federal Register. The meetings held during Program Year 1991 are listed on this page.



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Research

Chairman Gartland speaking at PIC Chairs Forum in Washington, D.C.

Commission Research And Related Activities During Program Year 1991

This section describes the status of the research projects and related activities of the National Commission for Employment Policy as of the close of Program Year 1991. The projects are grouped into five areas. The first two areas address the Commission's broad mandates on issues relating to the functioning of the U.S. labor market: "Anticipating Economic Change" and "Responding to a Changing Labor Force." The remaining three areas focus on the Commission's more specific mandates on the role of employment and training programs in improving the functioning of the labor market: "Improving Coordination of Federally-Sponsored Employment and Training Programs," "Overseeing Implementation of the Job Training Partnership Act," and "Enhancing the Scope of Employment and Training Programs."

In selecting its policy agenda and the topics that it addressed, the Commission was guided primarily by four factors:

- a need to advance the state of knowledge and further the public debate on major issues and events affecting the workplace, the U.S. labor market, and employment and training programs;
- the Commission's ongoing mandate to advise the Secretary of Labor on JTPA's performance standards;
- other legislative mandates and congressional requests related to the workplace and employment and training; and
- the effectiveness of employment policies and programs.

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The descriptions of individual projects in each area below include a brief discussion of the general issue that the project is addressing, Commission activities under that project (such as research, hearings, conferences, and site visits), Commission findings and recommendations (where appropriate), and the timetable for additional activities and completed reports. Summaries of completed Commission reports are also presented in this section.

Anticipating Economic Change

The U.S. labor market is affected by changes in both the domestic and the international economies. During Program Year 1991, the Commission undertook research on broad issues concerning the functioning of the U.S. labor market. Some of the Commission's research focused on how economic change affects the U.S. labor market. A second major focus was on the effects that international events have on U.S. labor markets.

Short- and Long-Term Changes in the Labor Market Due to Current Changes in the Economy. A recession weakened the U.S. economy during most of the past two years. During Program Year 1991, the Commission examined the changes occurring in the economy. Among the factors examined were the reasons for the economic downturn, alternative scenarios for the recovery, and the short- and long-term effects of the downturn on national and regional labor markets. A special emphasis was placed on the changes occurring in the labor market as a result of the economic downturn and on the roles that employment and training policies and programs could play in assisting workers adversely affected by these changes.

The current recession differs from previous ones in several important ways. For example, it has been relatively mild by historical standards, particularly in comparison to the recessions of the 1970s and 1980s. Taking into account discouraged workers, joblessness in 1990 - 1991 was 8.0%; this was 3.0 percentage points below the 11.0% average of recessions in the previous two decades.

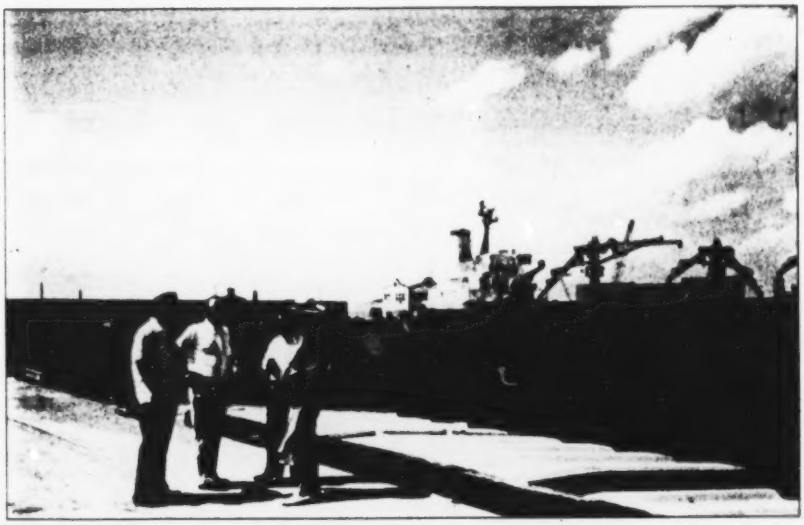
In addition, workers in the seemingly recession-proof service-producing sectors, as well as workers in management positions, have experienced larger than usual increases in joblessness. As a result of these phenomena, the recent recession has sometimes been labelled "a white-collar" recession. However, this label overlooks the fact that the cyclically sensitive goods-producing industries -- and blue collar workers -- were still the most likely to be without jobs. Although the unemployment rate for management and professional workers was less than half the national average in 1990 - 1991, the unemployment rate among blue collar workers was one and a half times the national average.

Two other factors have differentiated this recession from others. First, the recession has been characterized by an unusually large decline in consumer spending relative to investment. Second, consumer confidence has been well below that indicated by economic conditions.

The Nation's economic recovery is expected to be slow by historical standards. Nevertheless, there will be a continuation of the long-term growth in the service sector, implying that most of those who lost their jobs in this part of the economy can expect to eventually find jobs similar to their previous ones.

Commissioner Rowe observing workers at contract manufacturing facility in Control, Mexico.

Commissioners Aguirre, Rowe, and Peterson discussiing NAFTA with Port of Brownsville official.



Unemployed workers from the goods-producing sectors are expected to have more difficulties, since some of the recent job losses in these sectors are likely to be permanent.

The Commission's report on this subject will be completed during Program Year 1992. The research will include government options for assisting workers adversely affected by such downturns.

International Issues Affecting the Workplace, Employment and Training. As a result of the continuing internationalization of the U.S. economy, developments in other countries and in the international economy have a greater effect upon the United States now than in the past. During Program Years 1990 and 1991, the Commission has been conducting a research program that examines international issues affecting the workplace, employment, and training in the United States. This project examines important current and emerging international developments and their employment-related effects on the United States (in terms of labor markets, technology, competitiveness, worker migration and mobility, and trade and investment). The program focuses on the North American Free Trade Agreement (NAFTA) and on European economic integration.

NAFTA. The United States, Canada and Mexico have negotiated a North American Free Trade Agreement (NAFTA) that will result in a unified $6 trillion market with 360 million people and $200 billion in trade. The economic impact of a free trade agreement with Mexico will differ across regions and industries in the United States. Trade liberalization should stimulate production of the labor-intensive sectors in Mexico and shift labor into the capital-intensive sectors in the United States and Canada. Beyond these gains, trade liberalization brought about by a NAFTA may have a "pro-competitive" effect on domestic firms, resulting in additional gains from the realization of economies of scale and the removal of protectionism.

If NAFTA is implemented, the nation's nonelectrical machinery sector would experience one of the largest manufacturing employment gains. This sector includes computers, office equipment, engines and turbines, farm machinery, construction and mining machinery. Moreover, many jobs would be created that are not directly involved with exports to Mexico (especially in the transportation, communications, and utilities sectors). States along the U.S.-Mexican border that have already developed business relationships with Mexico would clearly have the advantage.

American industries that are more labor-intensive would slowly deteriorate as a result of lower Mexican wages. As a result of their large concentration of apparel and textile firms, states such as Alabama, Kentucky, Mississippi, and Tennessee will experience decreases in jobs in the short-term and in their propensity to supply mostly domestic markets.

Many observers expect that the increased economic interactions between the United States and Mexico will make it easier for workers to cross the border in the short term. Over the medium to longer term (5 to 10 years), job growth and increasing wages in Mexico stimulated by NAFTA may decrease Mexican emigration. Studies suggest that Mexican immigration to the United States will continue, whether or not a NAFTA is adopted. NAFTA puts in place a structure that may prevent immigration from rising rapidly during the first decade of the 21st century.

The Commission is conducting studies to examine NAFTA's implications for U.S. employment and the workplace. Although our preliminary findings indicate that

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Commissioners Rauschenbach and Levesque at Commission meeting.

NAFTA will enhance and maximize opportunities for American workers, they also confirm the belief that NAFTA will result in some level of employment dislocation in regions where industry is labor-intensive, especially where there are large concentrations of apparel and textile industries. Therefore, the effectiveness of programs to assist workers who have been dislocated from their jobs is an important public policy issue.

These dislocation issues will likely be reviewed during Congressional debate on NAFTA. Certain actions on trade adjustment assistance may be necessary to address those concerns and assist workers who would be affected adversely by the free trade agreement. Therefore, the Commission is developing several recommendations that address these employment dislocations.

The Commission is examining four major issues that address potential disruptions to U.S. industry and employment from NAFTA: (1) the direction or focus of job retraining and relocation programs; (2) institutional issues, i.e., the relationship between the Trade Adjustment Assistance (TAA) program and the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program; (3) worker adjustment assistance funding levels; and (4) service delivery problems and the mix of programs serving farmworkers and non-farmworkers in agriculturally-related industries, including migrant workers.

To gain first-hand knowledge of NAFTA-related employment issues, the Commission also went on a site visit to Brownsville, Texas and Matamoros, Mexico to learn about manufacturing and economic development operations along the Texas-Mexico border. The Commission visited a Mexican ejido (a small business that manufactures products on a contract basis for large U.S. or Mexican firms) and a U.S.-Mexico twin plant operation (also referred to as maquiladoras or production-sharing facilities). The Commission met with local educators and social service providers to discuss the education problems in the Rio Grande Valley and the education, health care, job training, and housing needs of Mexican immigrants living in colonias (small ghetto-like areas along the Texas-Mexico border).

The Commission will be reviewing its draft findings and recommendations at its September 1992 Commission meeting. After that meeting, a letter containing the Commission's findings and recommendations will be sent to the appropriate Executive Branch agencies and congressional committees.

Europe. Europe is currently undergoing radical economic reform. In addition to the planned changes as a result of EC92 (the integration of the European Community [EC] scheduled for completion later this year), European political leaders and policymakers have had to address the desires of the European Free Trade Area countries and the newly democratic East European countries to join the EC countries in complete economic integration. The changes needed to accomplish EC92's objectives are overwhelmingly complex. These changes include the elimination of differences in regulatory and technical standards, the elimination of nontariff barriers to trade, opening up competition for government purchases in each nation to firms in all EC nations, and the elimination of laws preventing providers of certain services from operating across national boundaries.

Although some of the effects of these changes on Europe can be estimated, it is not obvious how they will affect the rest of the world -- especially in terms of the labor market impacts on the United

States. There are certain to be repercussions felt in the United States regardless of the size of the effects. These effects may be felt in immigration, capital markets, and trade in goods and services. Although the largest changes described above would be unlikely to have significant effects on immigration to the United States, the other routes might lead to changes in U.S. earnings and employment growth. The magnitude of these changes will depend, of course, on the particular industries or sectors involved.

A Commission study on European economic integration is examining these changes in terms of their impact on U.S. employment, earnings, and income distribution and the challenge to U.S. policymakers in terms of the worker and the workplace. U.S. adjustment assistance, European industrial policy, competitiveness, and trade policy are among the issues that are addressed. This study will be completed during Program Year 1992.

Addressing Employment Effects in the Regulatory Process. On January 30, 1992, President Bush tasked the Council on Competitiveness, chaired by Vice President Quayle, with implementing both a 90-day moratorium on new regulations and a review of the regulatory burdens that government was placing on industry. The Commission responded to the heightened interest in regulatory reform with an examination of how well employment issues are addressed in the regulatory development process.

Few agencies address effectively employment issues in their regulatory deliberations. It also appears that few studies have been performed on this topic by private groups, unless the study is associated with a particular regulation. Although some analyses address the dislocation effects of particular regulations due to the closure of noncompliant facilities, the prohibitive cost of investing in particular types of equipment to achieve compliance, or the movement of facilities out of the country, there are few analyses that address such effects as reductions in the number of new employees hired, the dismissal of current employees, and reductions in salaries or wages (where such flexibility exists).

The Commission is conducting a study to examine the extent to which employment effects are considered during the regulatory process. The study involves a literature search, analyses of selected agencies' regulatory process, and interviews with regulatory officials. This review will be completed in the fall of 1992. Based upon that analyses, the Commission will determine what actions, if any, the Commission should take to increase the prominence of employment effects in regulatory cost/benefit analyses.

State-Financed, Employer-Based Retraining Programs. As part of their overall efforts to assist workers, many states offer some type of state-financed, employer-based retraining programs for workers who would otherwise be dislocated due to technological or other changes in their firms. The Commission began a long-term project in Program Year 1987 that examined the feasibility of evaluating state-financed, workplace-based retraining programs.

The first Commission report stemming from this project, published in January 1989, clarified the policy rationale and intervention model for these programs and presented a method for evaluating them. The second report, Evaluating State-Financed Workplace-Based Retraining Programs: A Report on the Feasibility of a Business Screening and Performance Outcome Evaluation System (May 1990), addressed the feasibility of implementing such an evaluation. It was based on state-financed retraining programs in California, Illinois, Missouri, and New York.

The third and final report in this series, Evaluating State-Financed, Workplace-Based Retraining Programs: Case Studies of Retraining Projects, was issued this program year (April 1992). It presents case studies of the 24 training projects in the four states on which the feasibility study was based. The volume provides an overview of each retraining project with a special focus on the linkage between the retraining and the company's objectives in having undertaken the project.

Responding to a Changing Labor Force

An important focus of the Commission during Program Year 1991 was on ways that public policy may need to respond to a changing labor force. The changing demographics of the Nation's labor force presents a formidable challenge to public and private sector employment and training programs. The Commission's activities in this area during the past year addressed the nature and characteristics of the diverse workforce, the effect of employee benefits on the economy, and the potential for upward mobility in the service sector.

Training an Increasingly Diverse Population. In Program Year 1990, the Commission initiated a project to assess the education, training, and employment needs of an increasingly diverse U.S. population and the extent to

which government policies and programs meet its needs. During the first year of this project, the Commission sponsored research on a variety of ways the labor force is becoming increasingly diverse and on the particular groups and issues relating to the demands that a diverse population can place on education and training programs. Next, a Commission-sponsored conference on "Training a Diverse Population" addressed such issues as the ways in which the population and the labor force are changing, including the shifting demographics of the labor force and potential labor force entrants; how employers presently are managing increasing diversity in their labor forces; and public and private sector education and training programs for diverse groups.

The Commission issued its report on this topic, A Changing Nation -- Its Changing Labor Force, in this program year (November 1991). This report examines the multi-dimensional nature of the diversity of the nation's labor force. It provides a framework for assessing current programs and strategies and for planning future education and employment and training approaches. Specifically, the report develops a profile of the changing workforce, giving particular attention to groups that will constitute the growth in the labor force between now and the next century; focuses on the diversity that exists among and within the groups; analyzes the economic dimensions of this diversity; and gives special attention to both those persons who might be expected to experience difficulty in the labor market and the reasons for those difficulties. The report is summarized on these pages.

A Changing Nation -- Its Changing Labor Force (November 1991)

Background

The U.S. population has undergone a rapid and profound transformation over the past two decades. As the country's population changes, so does its labor force. Together, immigrants and the many groups of native-born workers are creating a more diverse American workforce.

The labor market is changing markedly. The supply of workers is increasing in its diversity. Not only are the proportions of the racial and ethnic groups in the labor force shifting, but also diversity within these groups is expanding.

Changes on the labor supply side are taking place against a backdrop of rapid change on the demand side. Work is being reorganized and restructured, and greater skills are being required of persons entering the job market. Work is being performed in ways that differ from the past and entrance standards are rising for persons seeking employment. The convergence of changes on both the supply and demand sides of the labor market can be expected to put pressures on the institutions on which the society relies for the preparation of persons for participation in the labor market.

An important aspect of diversity is economic diversity -- questions of participation and relative success in the labor market. Some groups in the diverse population are having greater difficulty in securing and retaining employment than other groups. There are some fairly distinct differences among and within the groups (blacks, Hispanics, Asians/Pacific Islanders, and Native Americans).

- **Black males have a low and apparently still declining rate of labor force participation compared with men in the other groups; [they] earn less than white and Asian men but more than Hispanic men. Black women also have high unemployment rates, but they have higher rates of labor force participation than women in the other groups (except Asian women). Their wages are only slightly lower than those for white women.**

- **The labor force participation rate for Hispanic men is higher than those for whites or blacks; however, Hispanic men earn very low wages. Hispanic women have both low labor force participation rates and low earnings.**

- **With respect to two smaller groups in the economy, the data show that Asians/ Pacific Islanders have high rates of labor force participation, relatively low unemployment, and high earnings, while Native Americans have low rates of labor force participation, high rates of unemployment, and low earnings.**

competitive business environment. Developing the human capital of their workers is not a high priority for many small companies.

In general, many upward mobility programs focus on management training of those workers who are neither low-skilled, economically disadvantaged, nor dislocated. Rather, these workers already posses the requisite educational credentials and employment experience to place them on an advanced technical managerial track. Many upward mobility programs are targeted toward entry-level workers, regardless of whether they represent economically disadvantaged or dislocated workers.

The success or failure of a company's upward mobility program is due to a variety of factors. Three general conditions seem important in successful upward mobility programs: (1) availability of adequate training resources (financial and personnel) and management support of the training program; (2) labor and/or worker involvement in the design and implementation of training programs; and (3) joint labor-management cooperation in program design and operation.

There are several avenues for enhancing private sector efforts, and government support of such efforts, to develop upward mobility programs:

- Innovative strategies need to be explored by the private sector to overcome the lack of resources for worker training.
- Corporations need to promote a positive organizational culture including improving both workers' attitudes about training and management's support for training programs.
- Federal government support for information dissemination, innovative program approaches, and evaluation research will enhance private sector efforts to expand upward mobility programs for disadvantaged and dislocated workers.

Employment Changes in Service Producing Industries 1979 - 1989 (Number of Jobs Estimated in Thousands)

Industry	1979	1989	Percent (Change)
Transportation and Public Utilities	**5,136**	**5,705**	**11.1**
Trucking and warehousing	1,339	1,660	24.0
Electric, gas, sanitary services	806	936	16.1
Wholesale Trade	**5,204**	**6,234**	**19.8**
Retail Trade	**14,989**	**19,575**	**30.6**
Finance, Insurance, and Real Estate	**4,975**	**6,814**	**37.0**
Credit agencies, non-bank	554	908	63.9
Insurance carriers	1,200	1,468	22.3
Services	**17,112**	**26,892**	**57.2**
Hotels	1,059	1,603	51.4
Business services	2,905	5,789	99.3
Amusement, recreation services	712	976	37.1
Health	4,993	7,635	52.9

SOURCE: Upward Mobility Programs in the Service Sector for Disadvantaged and Dislocated Workers, NCEP, May 1992.

Employee Benefits Costs and Their Implications for Employment Growth. In Program Year 1989, the Commission conducted a number of studies on employee benefits and their implications for the workforce, the employer, and the economy as a whole. Among the topics covered have been ways that employers can adjust to changes in the workforce (including specific suggestions for altering their methods of recruiting entry-level workers, techniques to train prospective employees, literacy training, and how to provide child and elder care), state child care policies and programs, and employee benefits for American workers.

In Program Year 1991, the Commission began an examination of the provision of selected employee benefits and their labor market effects in the leading industrialized countries and some developing countries in order to ascertain "lessons learned" for the provision of employee benefits in the United States. The study examines both privately-provided, negotiated benefits (such as pensions, health insurance, and days off from work) and publicly-mandated benefits (such as social security, medicare, and workers compensation). The emphasis of this work is on the costs of providing benefits and the relationship of these costs to employment growth.

Labor Markets in the Service Sector: Opportunities for Dislocated Workers and the Economically Disadvantaged. The service sector has become a dominant component of the U.S. labor market. Since 1980, service industries have produced over 20 million jobs beyond that produced by manufac-

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turing, mining, and agriculture combined. In Program Years 1990 and 1991, the Commission undertook a study to examine the extent to which firms in the service sector have or have not established upward mobility programs for low-skilled, economically disadvantaged workers as well as dislocated workers, some of whom have many years of work experience.

In May 1992, the Commission published Upward Mobility Programs in the Service Sector for Disadvantaged and Dislocated Workers. This report provides information on the current status of upward mobility programs, identifies factors related to successful program implementation, and describes exemplary programs that pave the way for others to follow. The specific industries within the service sector that were examined include transportation and public utilities; wholesale and retail trade; finance, insurance and real estate; and general services such as hotels, health, and business services. The employment changes in the service sector during the 1979 - 1989 period are presented in the table below. The report itself is summarized in the accompanying box.

As part of its effort to better understand employment practices in the service sector, the Commission went on a site visit to Walt Disney World, in Orlando, Florida. As the largest employer in Orlando, and as a good representative of the hotel and amusement and recreation services components of the service sector, Walt Disney World provided the Commission with an opportunity to hear some interesting perspectives on upward mobility

Upward Mobility Programs in the Service Sector for Disadvantaged and Dislocated Workers (May 1992)

The importance of the service industries in the overall U.S. economy has steadily increased, especially in the last decade. The service sector has become a dominant component of the U.S. labor market.

Overall, disadvantaged and dislocated workers in the service sector continue to have limited access to training and career development opportunities. Program participation is often contingent on the availability of public funding, namely JTPA monies allocated to train these groups of workers. Career upgrading of these workers falls largely within the domains of corporate management and labor unions.

Upward mobility programs refer to corporate policies and procedures designed to provide workers with career development opportunities beyond those acquired through ongoing work experience. Some upward mobility programs consist largely of well-defined career ladders and management policies on promotions. Formal career ladder programs are more often found in service industries in which employee-client interaction is the "product," or at least an integral aspect of the business (e.g., hotels), as opposed to industries in which employees and clients are relatively detached (e.g., trucking).

Upward mobility programs are often discussed in terms of job-specific skills training and basic skills training. Program content varies greatly, even among so-called "basic skills" programs. Increasingly, skills in interpersonal communication and computer literacy are considered part of basic skills, even for persons occupying relatively low-skilled, entry-level jobs. Honing workers' communication and interpersonal skills, in addition to updating their technological skills, is particularly emphasized in service industries such as hotels and restaurants in which employee-client interaction is a crucial aspect of the product. Many programs combine job-specific and basic skills training.

The availability of upward mobility programs is related to industry type based on characteristics such as size, growth rates, labor-versus capital-intensive operations, corporate structure, and occupational groups employed. Among these interrelated factors, company size seems to have an overriding influence on the availability and success of upward mobility programs. Large companies offer more upward mobility opportunities than small firms, due to greater training resources and a more complex organizational structure, which allows for greater career movement. Firms that have a formal upward mobility program tend to be located in service industries marked by a high level of external competition.

Companies that make the least effort to increase the skills and promote the careers of disadvantaged and dislocated workers are typically small businesses whose primary concern is survival in a

competitive business environment. Developing the human capital of their workers is not a high priority for many small companies.

In general, many upward mobility programs focus on management training of those workers who are neither low-skilled, economically disadvantaged, nor dislocated. Rather, these workers already posses the requisite educational credentials and employment experience to place them on an advanced technical managerial track. Many upward mobility programs are targeted toward entry-level workers, regardless of whether they represent economically disadvantaged or dislocated workers.

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SOURCE: Upward Mobility Programs in the Service Sector for Disadvantaged and Dislocated Workers, NCEP, May 1992.

practices and human resources issues. The Commission met with human resources officials and learned about Walt Disney World's hiring and promotion practices, employee training programs, carreer advancement programs, quality assurance, management/employee communication techniques, benefits and compensation programs, and general management practices.

Improving Coordination of Federally-Sponsored Employment and Training Programs

There are growing pressures for welfare reform and cost savings in government. The current interest in streamlining and improving coordination among employment and training programs also stems from the fact that there are several such programs that have the same or similar goals but are delivered through different administrative structures and under different types of rules and regulations. The Commission continued its interest in coordination issues during Program Year 1991 through research on improving coordination in public assistance programs and on utilizing JTPA's 8-percent education-coordination set-aside. A new project on methodologies for state-level job

training coordination was also begun this program year.

Improving Coordination in Government-Sponsored Public Assistance Programs. The Commission's work in this area focused on streamlining eligibility criteria and improving coordination of the policy development, planning, and implementation phases of public assistance programs, in general, and employment and training programs, in particular.

In Program Year 1989, the Commission became aware that the efficient provision of employment and training services was being somewhat hampered by a number of coordination and eligibility criteria problems. To address these problems, the Commission instituted a multi-phase project designed to examine the federal and state program coordination problems in government-sponsored programs for the economically disadvantaged. This examination, summarized on these pages, formed the basis for the Commission's recommendations on improving coordination in employment and training programs.

The project had several components: in-house research, Commission-sponsored research, and a series of seminars. A variety of strategies, approaches, and techniques for improving the coordination of public assistance programs targeted at the low-income population was examined during the course of the project. The Commission heard from almost 200 people involved at all levels of the public assistance system: those who develop nationwide policies in Washington, those who coordinate assistance programs at the state

Coordinating Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials (October 1991)

Background

There are 75 federal programs providing assistance to the economically disadvantaged. These programs provide medical care, cash aid, food aid, housing and energy assistance, education aid, jobs and training aid, and "other" services. The 75 programs accounted for over $173 billion in assistance expenditures in Fiscal Year 1988 (and over $200 billion in Program Year 1991).

Some characteristics of federal programs present barriers to the efficient implementation of the broad range of programs at the state level. There is a multitude of regulations, procedures, definitions, and terminology used in federal public assistance programs. Other barriers include differing administrative provisions, eligibility criteria, and planning and operating timetables (some activities operate on a program year schedule while others utilize a fiscal year). Operating rules of the various governmental levels involved in running the programs also vary by program and state.

The lack of coordination at the federal level is another obstacle to the states' ability to pursue program integration. Many states believe that the sheer number of agencies, organizations, and congressional committees involved in administering and overseeing public assistance program makes coordination extremely difficult. States believe that their efforts to increase integration would be greatly helped if the Federal Government could improve coordination among congressional committees, federal agencies, and levels of government.

Federal assistance programs utilize a variety of methods for determining whether a person is eligible for benefits under these programs. In general, the criteria for eligibility for an individual program are related in some rational way to the purpose of the individual program. Considered as a system, however, the differences in eligibility criteria for the different programs multiply administrative burdens upon both recipients and program staff. A major problem in addressing system reform and streamlining policies and procedures is that many of the eligibility rules and procedures are set by statute rather than by administrative action.

Both the President and the Congress must make the coordination of public assistance programs a top domestic priority if any change is going to occur. Adoption of the recommendations below should lead to program improvements that result in more efficient and effective service delivery with lower costs, more reasonable access to a streamlined and more comprehensive range of potential services, and a better use of tax dollars.

Recommendations

The Commission recommends that the President:

- **Utilize his prestige, visibility, and strong leadership to support initiatives – to effect changes – that would enhance coordination in public assistance programs.**
- **Expand the authority and mission of the Economic Empowerment Task Force to resolve problems that affect the design and implementation of Federal public assistance programs.**
- **Direct the departments and agencies that administer public assistance programs to develop and use a common framework for streamlining eligibility requirements, formulating standard definitions and poverty measures, and easing administrative and documentation requirements.**
- **Combine the many programs that provide employment and training services to the economically disadvantaged into one agency operating under the same policy leadership and direction.**

The Commission recommends that the Congress:

- **Assign responsibility for legislation and oversight over public assistance programs to a single Committee on Public Assistance in each chamber.**
- **Work with Executive Branch agencies to develop a common framework for streamlining eligibility requirements, formulating standard definitions and poverty measures, and easing administrative and documentation requirements.**
- **Enact legislation to establish human resource or investment councils at the state level to foster coordinated program approaches in such key functions as planning, operations, and oversight.**
- **Require that an economic, fiscal, and institutional analysis be conducted for each congressionally authored institutional reform or adjustment in federal assistance programs.**

Size and Type of Federal Assistance Programs for the Economically Disadvantaged

		Funding Source and Amount*			
Assistance Category	Number of Programs	Federal	State	Combined	Percent of Funding
Medical	8	$38,466	$27,997	$66,463	38%
Cash	12	32,276	15,448	47,724	28%
Food	11	20,246	1,243	21,489	12%
Housing/Energy	15	16,465	182	16,647	10%
Education	17	9,966	540	10,506	6%
Jobs/Training	6	3,655	62	3,717	2%
Other Services	6	4,492	1,980	6,472	4%
Total	75	$125,566	$47,452	$173,018	100%

* Funding data generally represent Fiscal Year 1988 expenditures in millions of dollars. Some funding data may reflect program year or other reporting period.

SOURCE: Coordinating Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials, NCEP, October 1991

level, and those who deliver services at the local level.

Three seminars (addressing national, state, and local level coordination issues) were the primary vehicle for developing these ideas about coordination approaches from policymakers. The national-level and state-level seminars were held in Program Year 1990. The third seminar, focusing on local issues in coordination, was held in July 1991 in San Diego, California. Approximately 30 representatives of local governments and local implementing agencies participated in that seminar. The topics addressed were local coordination techniques, and coordination issues in employment and training programs, programs that serve at-risk youth, and integrating social service and housing programs.

The Commission testified on one of its preliminary recommendation, for state human resource investment councils, before the House Subcommittee on Employment Opportunities in May 1991. The House version of the JTPA amendments agreed with the Commission's recommendations by amending Sec. 122 and redesignating the existing State Job Training Coordinating Council as State Human Resource Investment Council, with responsibilities for JTPA, the Adult Education Act, the Carl Perkins Vocational Education Act, the Rehabilitation Act, the Wagner-Peyser Act, and the Food Stamps and JOBS programs.

The Commission transmitted its findings and recommendations to the President and the Congress in the Fall of 1991. Several months later, President Bush announced his proposal for Job Training 2000,

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an effort to enhance local level coordination of job training programs. The Commission sees the Administration proposal as an important first step in addressing the need for improved program coordination. The Commission has also had requests about its proposals for restructuring the congressional committee system from congressional offices looking into this issue.

A Commission report, Coordinating Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials, was published this program year (October 1991). In addition to containing the Commission's recommendations on coordination, the report describes the history of federal assistance programs for the economically disadvantaged; the organization and administration of these programs, and the conflicts that exist among poverty measurements and eligibility criteria for them. The programs focused on in this report provided cash aid, medical care, food aid, education aid, jobs and training aid, and "other" services.

8-Percent Education-Coordination Set-Aside. Questions were raised in public policy debates in 1991 about possible misuses of the education-coordination set-aside provision in section 123 of the Job Training Partnership Act (JTPA). As part of that debate, the Department of Labor (DOL) had proposed repealing the education-coordination set-aside because of reports that the set-aside was not being used in some states in a manner fully supportive of JTPA's goals. The 8-percent set-aside for education coordination subsequently became an issue in the hearings on the JTPA amendments in the U.S. House of Representatives.

During the Commission's hearings on the role of Hispanics in JTPA, the Commission discovered that certain weaknesses in JTPA Title II-A programs were being covered through the use of the 8% education-coordination set-aside. In its report on this topic, Training Hispanics: Implications for the JTPA System (January 1990), the Commission recommended that additional research should be undertaken into the uses of the 8% set-aside, and that the findings from that research be shared with the Congress. The Commission initiated such a study in early 1991, seeking to determine how the set-aside program was being implemented throughout the Nation and identify key issues and options regarding possible changes in the program. This study examined how states' used the JTPA 8% set-aside for education coordination and compared the characteristics of program participants with the characteristics of participants in JTPA Title II-A programs.

Based on the preliminary findings from the Commission's study, Commission Chairman John Gartland testified in support of retaining the 8% set-aside at a May 1991 hearing before the House Subcommittee on Employment Opportunities. The House of Representatives agreed with the Commission's position and left the 8% set-aside in JTPA.

A Commission report, The JTPA-Coordination Set-Aside: States' Implementation of the Program, was published in October 1991. A summary of the Commission's findings and recommendations is presented on the opposite page.

Methodologies for State-level Job Training Coordination. Last year, the Massachusetts Job Council developed a survey instrument to capture basic information about funds spent on job training and to provide state policymakers with information about those being

Commissioner Rauschenbach, staff member Oakley, Chairman Gartland, and Director McQuown at PIC roundtable.

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The JTPA-Coordination Set-Aside: States' Implementation of the Program (October 1991)

Background

The Job Training Partnership Act provides funds nationwide to approximately 600 SDAs through formula grants administered by the Governors. The Act sets aside, from the Title II-A allocation, 22 percent of the funds for each state to spend on certain activities for specific target groups through four separate set-aside programs. One of those programs authorizes the Governor to provide 8% of the state's total allocation to any state education agency responsible for education and training.

The education-coordination set-aside has an 80/20 split. At least 80 percent of the funds must be used to provide education and training services to JTPA-eligible participants through cooperative agreements between education and JTPA agencies. Not more than 20 percent of the set-aside may be used for coordination of education and training services.

States use the 20-percent portion of the set-aside for a variety of education and training activities. These funds allow the states flexibility in establishing criteria for designing coordination activities that include other relevant employment and training programs. In addition, the absence of federal performance standards has enabled the states to focus on serving the "hardest-to-serve" youth and adults. Although there are no federal performance standards for the 8-percent programs, many states have established their own benchmarks or goals for measuring outcomes that were less stringent than regular Title II performance standards.

The 8-percent program also allows 25 percent of the 80-percent portion to be used to serve non-economically disadvantaged individuals. Use of this "window" has been limited but, where it has been used, its use has been quite innovative: the program is serving those individuals who do not technically meet the JTPA eligibility criteria yet face serious barriers to becoming employable.

Recommendations

- The current 8-percent education-coordination set-aside should be retained as authorized under section 123.
- The Secretary of Labor should clarify the Department of Labor's interpretation of "coordination" through a technical assistance guide or other guidance memoranda, and explain how section 123 funds can be used to further improve coordination among JTPA, education, and other relevant agencies. This explanation should include specific examples of options for allowable activities in the areas of contracting, procurement, technical assistance, and programs. The Secretary of Labor should provide states with full information as to the standards and requirements that will be used in the Department of Labor's monitoring and oversight activities.
- A percentage of funds should be retained for states who have a need for serving those with serious barriers to employment even though such individuals do not technically meet the JTPA criteria. The percentage of funds available to serve the non-economically disadvantaged should be reduced from 25 percent to 10 percent since most states do not fully utilize the 25-percent window (because they have large numbers of economically disadvantaged individuals).

served and what services are being provided. By using the Massachusetts experience as a laboratory experiment, the Commission initiated a new project to develop a methodology for assessing program objectives, organizational structure, modes of service delivery, federal-state partnerships, and funding for employment and training programs at the state level. Replication of this methodology will involve development of a computer program that can be used by the states for conducting the necessary analyses and a code book that will allow for access to the computer program and statistical analysis of data contained in the file.

This project is a natural extension of the investment that the Commission has made in finding

ways to improve coordination of public assistance programs. In addition to the work that supported our report, Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials, the Commission has sponsored research examining state- and local-level coordination techniques associated with the JOBS program and state-level training policy coordination in Rhode Island. This project extends, in a very operational way, the Commission's coordination project to the states by giving them a tool with which they can assess and better coordinate their employment and training programs.

Overseeing Implementation of the Job Training Partnership Act

As part of its legislative mandate, the Commission advises the President and Congress on implementation of the Job Training Partnership Act (JTPA). In Program Year 1991, the Commission continued its research on two major topics critical to JTPA implementation. First, the Commission continued its investigation of the feasibility and desirability of using states' Unemployment Insurance (UI) wage records for JTPA performance standards. States' UI systems offer a promising data resource for coordinating federal, state, and local efforts to evaluate and manage the performance of the various employment and training programs. Second, the Commission is continuing its examination of the practices and management of the Nation's Private Industry Councils. This project is identifying ways to enhance the contributions that Private Industry Councils (PICs) make to the operations of the JTPA system.

Using UI Wage Records in JTPA Performance Management. In the late 1980s, the JTPA system was evolving toward the use of various measures of participants' labor force status 13 weeks after leaving the program as indicators of the program's long-term performance. There was also a growing interest by the President and the Congress in assuring that training programs were increasing participants' likelihood of sustained employment and enhanced earnings.

These two events led the Commission to launch a project in 1988 to determine if state Unemployment Insurance (UI) wage records were a potential substitute for the follow-up telephone surveys of participants being used. The wage records held the promise of providing superior information about long-term effects of the JTPA program while simultaneously reducing administrative costs. In the initial phase, eleven states joined the Commission in a feasibility study of using the states' UI wage records to track the employment and earnings experiences of participants in programs funded under JTPA.

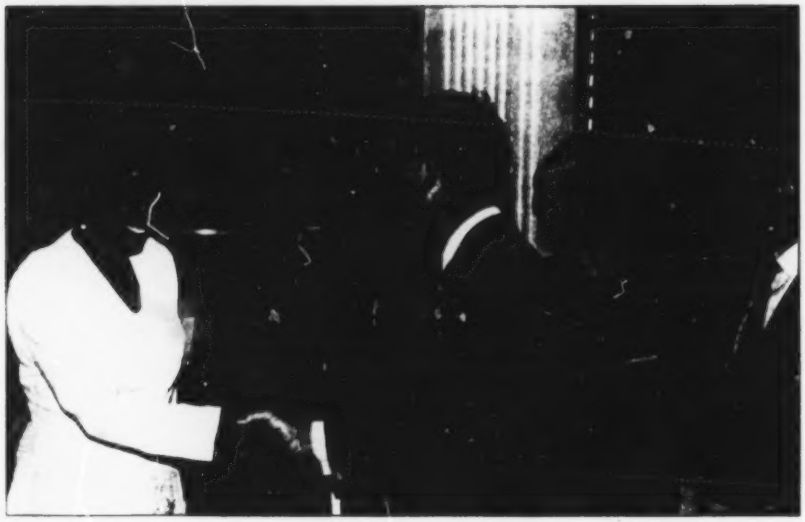
The Commission issued a report on the results of its initial investigations, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities, (January 1991). This report demonstrated that it was technically possible to use the UI data to evaluate JTPA program outcomes and that the cost savings associated with their use could be substantial. Because of the encouraging nature of the report's findings, in conjunction with growing interest by states in using the UI wage data for JTPA performance management, the Commission expanded the project in two phases. As a result, twenty states were participating by the end of 1991 and data were being collected for three program years.

A Commission-sponsored workshop was held in September 1991 to discuss the findings from its research efforts. States participating in the project sent a representative. The workshop allowed the state officials who have been responsible for developing the linkage between the UI and JTPA data to review the research findings. These officials also offered their views on the genal feasibility and desirability of linking the two data bases, and substituting the linked data for the follow-up telephone survey.

In Program Year 1991, the Commission concluded its examination of the feasibility and desirability of

"Job training must be more than merely "make-work" -- it must suit the needs of the marketplace. The private sector will always bear primary responsibility for training the workers it needs to get the job done. But government at all levels can and must play a role . . . as catalysts in this process."

-- President George Bush, January 16, 1992



Commissioner Lackland meeting with Vice President Quayle.

using UI wage-record data to evaluate the effects of participation in training programs funded under Title II-A of JTPA. The project examined the technical and administrative aspects of using these data for performance management of JTPA programs for adults. The Commission's findings and recommendations from this project are contained in Using Unemployment Insurance Wage-Record Data for JTPA Performance Management, issued in Program Year 1991 (June 1992) and summarized on the following page.

The Commission's overarching recommendation is that states be given the option of using these data for JTPA performance standards and associated state incentive grants. This recommendation is based on several findings. First, use of these data promises large annual savings in the costs of data collection for states. Based on findings from the twenty states involved in its project, the Commission's calculations showed a combined annual savings for the Title II-A adult and Title III/EDWAA programs that ranged from approximately $4,600 for a relatively small state to $300,000 for a very large state. These savings are the difference between the annual costs of the telephone survey in Program Year 1990 and the estimated operating costs of the UI wage records had they been used instead of the surveys. A comparison of these savings is summarized in the table on this page.

Estimated Annual Costs and Savings Per Project State: Telephone Surveys Versus UI Wage Records

Cost/Savings Category	Average	Minimum	Maximum
Cost of Titles II-A & III Follow-up Survey	$125,320	$ 8,347	$371,450
Estimated Cost of Using UI Wage Records(a)	$ 23,290	$1,292	$ 77,692
Potential Savings Associated with Replacing Survey with UI Wage Records (b)	$102,030	$4,571	$301,872

(a)Estimated cost equals total number of a State's Program Year 1990 terminees multiplied by $2.00.
(b)Estimated saving equals the difference between each state's survey cost and estimated cost of using the UI wage-records approach.

SOURCE: Using Unemployment Insurance Wage-Record Data for JTPA Performance Management, NCEP, June 1992.

The data were found to be useful for program management and evaluation. For example, the UI wage-records are useful in assessing the extent to which government-sponsored training programs are meeting their intended purpose of improving the long-run employment and earnings of participants. With these data, it is possible to track the employment and earnings of participants by quarter over long periods of time before and after they participate in the program.

In addition, the UI wage data could become a "common currency" to measure the performance of different employment and training programs, such as those in Vocational Education, the Job Opportunities and Basic Skills program, and Food Stamps. The relative effectiveness of the various federal and state programs could be examined in terms of a uniform earnings criterion.

In response to the Commission recommendations, DOL plans to examine several operational issues associated with implementing the UI wage-records system. DOL expects that the Commission's findings and the information developed

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Using Unemployment Insurance Wage-Record Data for JTPA Performance Management
June 1992

Background

Unemployment Insurance (UI) wage records are a promising alternative to the telephone survey now used by the States to measure post-program employment and earnings in order to implement federal performance standards for JTPA programs. These standards are driven by the legislative provision that job training is an investment in human capital and that the basic return on this investment shall be measured in terms of the increased employment and earnings of participants and the reductions in welfare dependency.

The UI wage records contain the quarterly earnings of workers employed in firms covered by States' UI systems. States maintain the records in order to administer unemployment insurance benefits and taxes.

The UI wage records have great potential as a data resource for JTPA performance management and program evaluation because they offer the following benefits:

- The ability to obtain vital information about the employment and earnings of virtually all JTPA participants at all levels of service delivery.
- The ability to link the employment and earnings of JTPA participants to a number of important factors, including participants' characteristics (e.g., age and education) and types of program services (e.g., occupational classroom training and on-the-job training).
- The ability to track the employment and earnings of participants by quarter over long periods of time before and after receiving employment and training services.
- The potential ability to evaluate the net impact of program services through the use of a comparison group for which employment and earnings can be measured in the same way as for the participant group.

Moreover, the use of UI wage-record data in place of the telephone survey data, now used for JTPA performance standards, promises large annual savings in the costs of data collection for the States. For example, based on information provided by nineteen States participating in the Commission's project, the estimated combined savings for the Title II-A adult and Title III/EDWAA programs ranged from $4,600 per year for a relatively small State to $300,000 per year for a very large state.

Recommendations

- The Department of Labor should offer states the opportunity in Program Year 1992 to conduct pilot projects in which the UI wage-record data are used in the states' implementation of performance standards and associated incentive grants. These projects could involve either individual states or regional consortia of states, depending on the states' desire to pool data and other resources.
- States should be offered the choice starting in Program Year 1993 to use the UI wage-record data in place of the telephone survey data for JTPA performance standards. States would be able to discontinue the survey upon demonstrating the capacity during a transitional year to use the UI data in implementing all aspects of performance standards and associated incentive grants.
- States that choose to use the UI wage-record data for performance management should develop written agreements for all resultant UI data-sharing activities.
- The Department of Labor should develop a procedure to make statistical adjustments in JTPA performance standards for variations in UI coverage and out-of-state employment among Service Delivery Areas.
- The Department of Labor should provide technical assistance to the states as needed with regard to both the linkage of UI and JTPA records and the analysis of program outcomes using the linked data.

by DOL will provide the necessary information to implement a choice-based system in Program Year 1994.

Finally, the conference report accompanying the JTPA Amendments recognized the Commission's UI work, noting in particular our findings on the potential cost savings of using UI wage records. The conference report directed the Secretary of Labor to report to Congress on the feasibility of establishing a UI-based database and developing a means to make this information available on a nationwide basis.

Using Unemployment Insurance Wage Record Data to Examine JTPA, JOBS, and Vocational Education. In Program Year 1991, the Commission undertook a new project to examine the potential for using Unemployment Insurance (UI) wage record data to assess the effectiveness of JTPA, the training/employment programs associated with Aid to Families with Dependent Children, and Carl Perkins post-secondary vocational education programs. A special focus is on possible differences among race/ethnic groups in their participation in these programs and in the post-program outcomes associated with that participation.

This study will test an implicit goal of the Commission recommendations in Using Unemployment Insurance Wage-Record Data for JTPA Performance Management: the feasibility of UI data becoming a "common currency" for evaluating federally funded training programs. UI data could become a major data source for evaluations across programs.

Findings from this research may suggest ways to improve program coordination at the state level. If it can be demonstrated that states can use the same data base for evaluating different programs, then program officials will have an incentive for improving the mix of services offered to participants. Results from this research may extend the Commission's findings regarding coordination at the federal level, contained in Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials (October 1991), to include ways to improve program coordination at the state level, even if there are no federal-level changes.

By focusing on race/ethnic differences in program participation and outcomes, the research should also shed additional light on the reasons for the under-representation of Hispanics in JTPA programs. Hispanics are one of the nation's most rapidly growing populations. As a group, they also have one of the lowest average levels of educational attainment. For the nation's stock of human capital to increase, Hispanics -- as well as all other American workers -- must be willing and able to access education and training programs. The fact that Hispanics are less likely than other groups to participate in JTPA training programs was first reported in the Commission report, Who is Served in JTPA Programs: Patterns of Participation and Intergroup Equity (January 1988) and further discussed in Training Hispanics: Implications for the JTPA System, (January 1990).

The current research effort is a case study of program participation in Texas, a state with a sizeable Mexican-American population. It is anticipated that the findings from this study will help to identify the extent to which Hispanics' under-representation in JTPA is a problem requiring changes in state policies as well as federal policies. In addition, the research should suggest the extent to which His-

Commissioner Jones talking with Chet Dixon of the Job Council of the Ozarks at Commission's coordination conference in San Diego, California.

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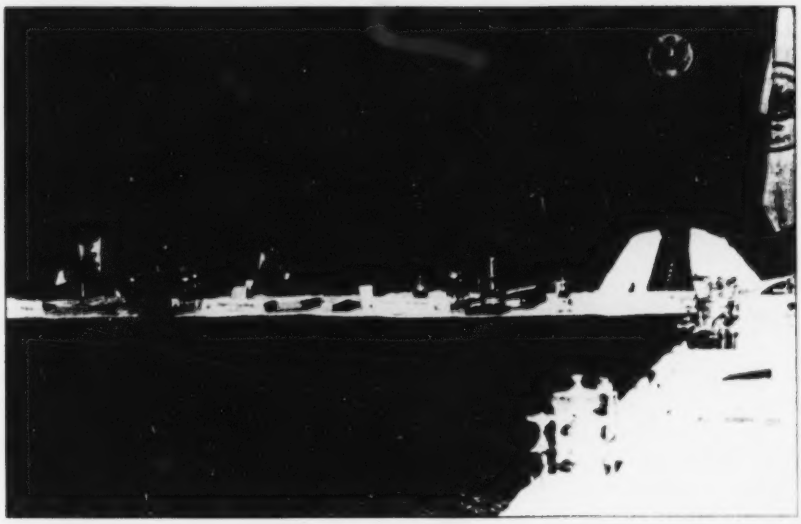


Commissioner Whyte, Chairman Gartland, Director McQuown, and Commissioner Egge at Commission meeting.

panics are under-represented in social programs beyond federal job training programs.

Evaluating JTPA Program Services and Outcomes. In Program Year 1991, the Commission began to evaluate JTPA's employment and training programs. Specifically, the Commission sought to determine who is served by the employment and training programs, which training services are received by which participants, and what are the effects of these services on participants' employment and earnings.

The U.S. Department of Labor (DOL) has been addressing similar issues through its own separate, major national study of JTPA Title II-A programs. Preliminary DOL findings were released at the end of Program Year 1991, and full reports from both the Commission's and DOL's projects are anticipated in Program Year 1992.

The two projects are complementary large-scale evaluations that focus on the same questions: which training services are received by which participants and what are the effects of these services on labor market outcomes. Because of this similarity of purpose, a brief outline of the differences between the projects is a useful preface to the Commission's research in this area. Three of the more important differences are given here.

- The Commission used a more extensive data base. Its project had access to information on the universe of participants in fifteen states. State data for Program Years 1986 and 1987 were available to the Commission through its project linking JTPA and UI data. The research was conducted for adults (persons 22 years of age or older) in programs funded under Title II-A of JTPA. DOL examined a subset of local sites in depth; its project covered sixteen Service Delivery Areas.

- The Commission used a non-experimental approach. The Commission's project was therefore restricted to an internal comparison of JTPA participants, examining the post-program employment and earnings of JTPA participants who have different characteristics and who entered different training activities. DOL used an experimental approach that compared the post-program employment and earnings of JTPA participants with a randomly selected control group that was barred from receiving JTPA services during the study period. DOL faced the challenge of implementing a classical experiment in the setting of an ongoing national program.

- The Commission's project examined the impact on post-program employment and earnings of receipt of a training activity. DOL's project emphasized the post-program impact of a training activity having been made available to JTPA-eligible individuals, i.e., the impact of a "training opportunity."

The first issue the Commission's project addressed was whether participants with particular characteristics and backgrounds were more or less likely to have participated in one of the more intensive training activities versus the less intensive ones. The training activities of primary interest were the three "more intensive ones" -- on-the-job training, classroom occupational training, and classroom basic education. The characteristics of participants in each of these activities were compared with the characteristics of participants in "less intensive activities," a category which included job search assistance, counseling, and work experience. The possible effects of

local economic conditions (for example, the local unemployment rate) and differences among states were also included in the analysis.

The Commission was next concerned with whether participation in a more intensive training activity, versus a less intensive one, was associated with participants' subsequent likelihood of being employed, and if they are employed, the level of their earnings.

Six labor market outcomes were examined. The employment-related outcomes were the likelihood of being employed at program termination, the likelihood of being employed during the first or second quarters after leaving the program (i.e., the first six months), and the likelihood of being employed during the third or fourth quarters after leaving the program (i.e., the next six months). For those who were employed, both wage rates and earnings were examined in terms of the hourly wage rate at termination, earnings during the first six months, and earnings during the next six months.

The empirical analyses of these outcomes included the same three sets of factors that were in the analysis of training activities (participants' characteristics, local economic conditions, and state differences) and an indicator of the primary training service that was received.

Preliminary findings indicate that the mix of program participants and the activities in which they were enrolled appears rational. Clients tended to enter activities that meshed with their characteristics and apparent labor market needs. For example, school dropouts were more likely than high school graduates to receive basic education, after taking into account other explanatory factors. In addition, participants with sources of financial support (such as receipt of Aid to Families with Dependent Children assistance) were more likely to participate in classroom occupational training than those without such sources of income.

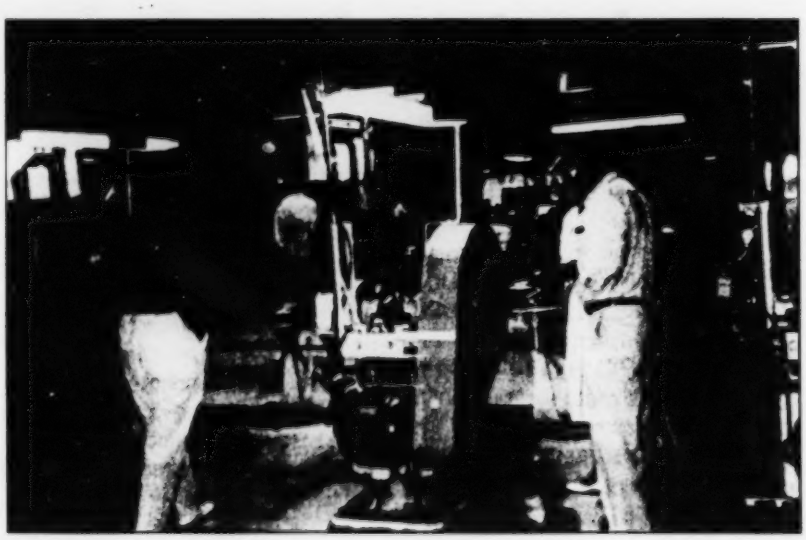
Some highlights of the preliminary findings on employment and earnings outcomes are:

- compared to participants in a less intensive activity, both male and female participants in on-the-job training were more likely to be employed not only upon termination from the program but during the next year as well;

- among participants who were employed after terminating from the program, those who received classroom occupational training had higher average earnings during the subsequent year than those who had been in one of the less intensive activities; and

- participants in basic education did not have a greater likelihood of employment than participants in a less intensive activity and, if the participants in basic education were employed after leaving the program, they did not have higher average earnings than those who had been in one of the less intensive activities.

As a complement to this project on JTPA Title II-A programs, and as a bridge to DOL's national study, the Commission co-sponsored with the state of Utah a feasibility study on using Employment Service records to develop a comparison group for purposes of assessing the net impact of participation in JTPA. The study is assessing the usefulness of a non-experimental approach to program evaluation when, as is usually the case, it is not feasible to conduct a classical experiment such as that



Commissioners Peterson and Rowe and Director McQuown observing metal cutting process at windshield wiper plant in Brownsville, Texas.

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of the Department of Labor. The research findings from this feasibility study will be available in Program Year 1992.

Enhancing the Effectiveness of Private Industry Councils (PICs). In Program Year 1991, the Commission entered the second year of its study of the Nation's Private Industry Councils (PICs), which are integral local components of the JTPA service delivery system. The PICs are the primary mechanism by which the private sector, along with representatives from public agencies, can provide guidance for, and oversee the direction of, employment and training programs. The Commission's goal is to recommend policies aimed at ensuring stronger and more productive partnerships between the private and public sectors.

Through a variety of studies, the Commission is examining how business men and women are responding to their roles and responsibilities on the PICs; the relationships between local PICs and State Job Training Coordinating Councils (SJTCCs); and how the status of PIC/SJTCC relationships affect JTPA programs. It is important for the overall success of JTPA programs that the SJTCC and the PICs have a good working relationship since the PICs are the major administrative structure at the local level for delivering JTPA programs, and the SJTCC is responsible for the administration of the state's JTPA plan, which includes all local PIC plans.

The Commission also conducted ten roundtable discussions across the country, meeting with over 200 PIC members, local elected officials, and PIC/Service Delivery Area (SDA) directors representing 99 PICs from 45 states. The roundtable discussions were organized to develop answers to four basic questions:

- What is the most effective organizational structure for including the business perspective in improving the effectiveness of PICs?
- Are PICs providing the policy guidance for, and exercising the monitoring and oversight over, all JTPA programs?
- To what extent is orientation and comprehensive training provided to PIC Chairs and members?
- To what extent have PICs developed quality relationships between business and non-business members, and with their staffs, local elected officials, and other employment and training officials?

Preliminary findings with regard to effective organizational structures concern the issue of whether or not PICs should incorporate. There may be advantages for PICs to incorporate in some SDAs. There was not a consensus, however, that incorporation, per se, enables PICs to be more effective in terms of program outcomes. Those PICs that incorporate do so for a variety of reasons: (1) to be independent from the political environment; (2) to enable the PIC to receive non-JTPA funds from private sources; (3) to protect PIC members from liability; and (4) to allow the PICs to serve as the grant recipient and/or administrative entity, thus having more direct control over JTPA programs and activities.

A PIC's effectiveness depends, in part, on the strength and leadership of the Chair, the commitment of the Chair and members to the employment and training system, and their understanding of the PIC's role and responsibilities. Additional evidence suggests that there continues to be a need for assistance in defining the appropriate role of the PICs. Among the more important areas that members indicated information would be useful were self-assessment of the PICs and strategic planning. There also appears to be a need to better define the role of the private sector members in terms of their efforts to promote JTPA within the business community.

Roundtable attendees expressed a particular need for greater clarification and guidance regarding what constitutes conflict of interest. The potential for conflict of interest stems from the unique nature of the composition of the PICs (individuals who not only provide policy guidance and oversight to the JTPA system but also stand to benefit from JTPA programs as vendors of training and employers of program participants).

Although PIC Chairs favor having local flexibility in determining how PICs are structured and carry out their activities, the PIC Chairs expressed a need for additional clarification as to what activities are allowable under the law.

Other preliminary findings indicate that PIC members' terms should be long enough to allow time for members to gain experience on the PIC and that continuity of members' terms not be disrupted due to changes in administrations. Staggered terms were also viewed as a way to prevent the total replacement of PIC members due to such changes.

One of the more important preliminary findings concerning PIC relationships with other organizations is its relationships with the SJTCCs. While both the PICs and the SJTCCs appear to agree that the PICs understand their roles

Commissioners Peterson, Machol, and Aguirre examine device with official at maquiladora in Matamoros, Mexico.

and responsibilities, PICs do not appear to understand fully the roles and responsibilities of SJTCCs. PICs' awareness of the responsibilities of SJTCCs is greater when there is cross-membership between the two organizations and/or when members of one organization attend the other organization's meetings.

The Commission will further develop its findings during Program Year 1992 and then issue its final report and recommendations to the President and the Congress.

JTPA Summer Youth Programs. In recent years employment and training practitioners and policymakers have grown increasingly concerned about the need to focus resources on improving the employability of at-risk and hard-to-serve youth. The riots in Los Angeles, California earlier this year highlighted this need.

The JTPA amendments that were under consideration by the 102nd Congress included a number of proposals to change the way services to youth are funded and organized. One of the key issues involved in the proposed changes was whether or not to retain a separate summer youth component. Prior to the riots in Los Angeles, the U.S. Department of Labor had proposed discontinuing the JTPA Title II-B Summer Youth Program in favor of a year-round program that might have included summer employment, but would have required young people to be registered for an approved education program and enrolled in JTPA.

As the Commission had endorsed the Summer Youth Employment and Training Program in previous years, the Commission initiated a research project in the summer of 1990 to study local priorities on this issue. Based on that research, the Commission again recommended retention of the Summer Youth Program. In his testimony before the House Subcommittee on Employment Opportunities, Chairman Gartland stated that "Summer employment programs for economically disadvantaged youth are essential." Agreeing with the Commission, the House of Representatives retained the Summer Youth program as outlined in JTPA, and no change was made in the Senate bill. In May 1992, the Administration endorsed continued funding for the JTPA Title II-B program.

Administrative Costs. Commission hearings held throughout the country in 1989 brought together dozens of JTPA administrators at all levels of the JTPA system. Much information was exchanged concerning the weaknesses of JTPA and what might be done by Congress to improve the law. One of the early criticisms heard by the Commission was that the 15 percent budget allowance for administration of the program was not enough. Service Delivery Area (SDA) operators were concerned about the mountain of paperwork and the manpower-intensive requirements needed to qualify JTPA recipients, as well as numerous audits and the follow-up requirements to prove the SDA's performance. They contended that these requirements could not be covered by their budget allowance. As a result, several operators claimed that they had to re-allocate funds from other areas to cover the program's administrative costs.

Following Commission discussions on this issue, Commission Chairman John Gartland recommended to the House Education and Labor Committee and the Senate Labor and Human Resources Committee that it would be reasonable to increase the allotment for administrative costs. That recommendation was reflected in an amendment to JTPA in both the Senate and House bills that increases the SDA administrative cost allowance to 20 percent.

Enhancing the Scope of Employment and Training Programs

A major goal of federally-sponsored employment and training programs is to improve the match between employers' demand for workers and the available supply of workers. Changes in competition, technology and other areas often mean changes for the economy. The effectiveness of programs to assist workers who have been dislocated from their jobs as a result of these changes is an important public policy issue. The Commission's work on this topic during the past Program Year focused on dislocated workers, the extent to which private sector employers have alternatives to layoffs, and the role of the Employment Service under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) of 1988 in assisting dislocated workers.

Dislocated Workers and the Employment Service. Changes in competition, technology and other areas are part of a dynamic economy. Employee layoffs, or worker dislocation, are often a primary result of these changes. The effectiveness of programs to assist workers who have been dislocated from their jobs is an important public policy issue.

In 1988, the Congress was concerned with ways of reducing layoffs. In the Omnibus Trade and Competitiveness Act of 1988, Congress directed the Commission to study (1) the extent to which private sector employers have alternatives to layoffs (including education, employment, and training policies and programs) when they must cut back their production, and (2) the role of the Employment Service (ES) under EDWAA.

The federal government has in place programs to assist and train dislocated workers. The initial pro-

Assisting Dislocated Workers: Alternatives to Layoffs, and the Role of the Employment Service under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) (October 1991)

Background

Due to the number of workers who were dislocated during the 1980s, states and the private sector developed new alternative techniques for managing production cutbacks without permanently reducing workforces. In addition, they used existing techniques more extensively. For example, by the end of the 1980s, fourteen states had Short-Time Compensation programs (work sharing) and over forty states had employer-based (re)training programs. Within the private sector there are a variety of flexible pay arrangements, including profit-sharing, employee stock ownership plans, and employee buyouts. Some firms have early retirement plans and cost-cutting teams while other firms have switched product lines rather than close down.

Although these programs can reduce layoffs to some extent, available data are not sufficient to indicate the extent to which layoffs have been reduced due to these programs. However, the information is sufficient to indicate that the programs are unlikely to reduce substantially the layoffs that firms would need to make in order to remain in business during a major economic downturn.

Many states have an "umbrella agency" system to link Employment Service, Unemployment Insurance, Trade Adjustment Assistance, and Job Training Partnership Act services. Employment and training programs are administered by one department composed of the agencies responsible for providing services to dislocated workers under EDWAA.

The Employment Service has a major role in the delivery of EDWAA services under an umbrella agency system. In over 40 per cent of these states, the Employment Service is the lead agency in administering all employment and training programs. In other umbrella agency states, the ES has an equal role with the JTPA agency in implementing these programs. (The Employment Service is more

Involved in providing services to dislocated workers under EDWAA than it was under the previous JTPA Title III program. This is true at both the state and local levels.)

The Employment Service is one agency typically represented on EDWAA's mandated Rapid Response Teams. These teams provide employment and training services to workers who have been notified that they are about to be dislocated. When the Employment Service has a significant role on the teams, as well as adequate funds and qualified staff,it provides valuable job-search and job-ferral services to workers.

Conclusions

- EDWAA has been a strong catalyst for improving linkages among programs serving dislocated workers and other applicants. In addition, the Employment Service now has an important role in providing EDWAA services to dislocated workers in most states.

- As the legislation intended, EDWAA has facilitated a more comprehensive system for meeting the needs of dislocated workers than that which existed under the previous Title III program of JTPA. By forging closer coordination between the key agencies and programs in most states, much of the duplication in services has been reduced. This is particularly true in those states where an umbrella agency system has been established.

- Although the EDWAA program had been operational for a relatively short time, when the report was written, dislocated workers appear to be receiving improved services under EDWAA. This can be attributed to two major factors: (1) the early intervention by agencies providing employment and training services, including the Employment Service; and (2) the increased use of the umbrella agency concept by many states at the state level and the "one-stop service" and "single point of entry" at the local level. A comprehensive set of services is provided, including those of the Employment Service.

- While federal legislation has put in place the basic elements necessary for successful re-employment programs for dislocated workers, not all states have highly effective and comprehensive programs. However, as the system matures and innovative practices are shared among the states, it is expected that there will be further reductions in the duplication of services and increased cooperation among programs and agencies.

grams dislocated workers could turn to for assistance are the Employment Service (ES) and Unemployment Insurance (UI) system. The ES provides labor exchange services to all applicants, including dislocated workers. The UI system provides UI benefits to the eligible unemployed, including dislocated workers. There are also two major programs that target services to those who are displaced -- the Trade Adjustment Assistance (TAA) program and the EDWAA program under Title III of JTPA. The TAA program, targeted on those workers who have been dislocated due to increases in imports, provides workers with cash assistance benefits, readjustment assistance, and re-employment assistance programs. The EDWAA program provides re-employment assistance to workers who have lost their jobs due to a plant closure or a major layoff. Services provided under this program include counseling, testing, and training.

The Commission conducted extensive research in response to its congressional mandate. Assisting Dislocated Workers: Alternatives to Layoffs, and the Role of the Employment Service under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), issued in Program Year 1991 (October 1991) and summarized on these pages, responded to the congressional mandate to study alternative techniques for managing production cutbacks without permanently reducing layoffs. Reviewed are evidence on the use of Short Time Compensation, state-financed workplace-based retraining programs, and a variety of ways in which workers' pay, rather than their hours of work, is reduced. In addressing how to assist workers who have been laid off, the report then examines the role of the Employment Service in implementing programs to enhance services provided under EDWAA.

As backup to that report, the Commission also completed two additional reports on the ES during the program year. The first report, Improving the Effectiveness of the Employment Service: Defining the Issues (October 1991), addresses the question of an "unfulfilled potential" by discussing all aspects of

Improving the Effectiveness of the Employment Service: Defining the Issues (October 1991)

Background

The Employment Service (ES), called the Job Service in some states, was established by the Wagner-Peyser Act of 1933 during the Depression. The Act established a nationwide network of state-operated, federally-financed employment service offices to serve as a labor exchange to match available workers with available jobs.

During more than a half-century of operation, the ES has experienced changing labor markets, changing Federal-state relationships, and the addition of a variety of responsibilities to its original mission as a labor exchange.

Although the ES was originally established as a labor exchange, it now has a wide variety of missions and can be viewed as having the following functions, inter alia: to provide a labor market exchange to assist workers in finding jobs and employers in filling job openings; to provide counseling, testing, referral, and other services to complement the labor exchange function; to provide special assistance to targeted populations, such as low-income individuals, veterans, dislocated workers, and migrant and seasonal farm workers; and to carry out the "work test" (or eligibility determination) for Unemployment Insurance (UI), Food Stamps, and Aid to Families with Dependent Children (AFDC) recipients to assure that employable individuals supported by public funds accept appropriate employment when available.

In carrying out these missions, there are many variations among the 50 states in administrative policies and procedures as well as local ES office work activities. Variations from one state to another reflect differences in the structure of state organizations, the size of the areas served, local labor market conditions, administrative style, and the quality of personnel rather than basic program operations. A review of the historical perspective on the institutional development of the ES reveals two important lessons: (1) federal, state, and local relationships have continuously changed as Administrations and the Congress redefined the ES's organizational responsibilities and (2) at the same time, targeted group priorities and institutional missions have changed.

There is much support for improving the effectiveness of this national system. Because of changes in labor markets and federal-state relationships, and the additional responsibilities assigned to the ES over the past 57 years, there has been support for a new legislative mandate which would redefine ES's role more clearly with an emphasis on the basic principles in the Wagner-Peyser Act. That is, the provision of basic labor exchange services to both job-seekers and employers, such as counseling and placement services; providing for a system of labor market information and job matching; and the addition of job search assistance and related activities.

Conclusions

- The Employment Service has many more responsibilities than its name would imply. While its role in the administration of the work test for unemployment insurance claimants is important, the extent to which the ES should be responsible for some of its other functions, not directly related to its central mission as a labor exchange, is an open question.

- The decline in real funding appropriations for the ES has led to staff reductions and local office closings in many states thereby hampering its effectiveness in providing quality services to employers and job applicants.

- As a consequence of the decline in real funding, some states have co-located their ES and JTPA program operations. One result of this co-location has been a reduction in unnecessary duplication of services to workers. Other states, some of which have also co-located their offices, are using state revenues and additional employer taxes to supplement federal funds.

- As a result of EDWAA's mandate regarding coordination, the majority of states have given the ES an important role in providing services to dislocated workers. Also, the ES is more involved in providing services to dislocated workers under EDWAA than it was under the previous Title III program.

the Agency: its responsibilities over and above its labor exchange function (for example, its role in administering the "work test" and its role in enforcement and compliance activities); the Agency's relationship to programs funded under JTPA; and its funding. Because of the large numbers of individuals which have been mandated to receive ES services over the years, the study also examines the issue of who should be served by the ES and what services should be provided. Although many of the issues are not new, they merit renewed consideration in light of the continuing changes in the labor market. The report is based on a literature review on the subject and on Commission hearings on ways to improve the agency's effectiveness. This report is summarized on the previous page.

The second report, The Potential Effectiveness of the Employment Service in Serving Dislocated Workers: Evidence from the 1980s (October 1991), provides new empirical examinations of the ES during the 1980s and a related review of other empirical work on the agency's potential effectiveness. It presents findings on the effectiveness of the Employment Service in assisting dislocated workers. This report is summarized below.

Hispanics and JTPA. During Program Year 1991, the Commission saw Congress include some of the Commission's past recommendations in legislation. In its January 1990 report Training Hispanics: Implications for the JTPA System, the Commission noted that due to differences between

The Potential Effectiveness of the Employment Service in Serving Dislocated Workers under EDWAA: Evidence from the 1980s (October 1991)

Prior to EDWAA, the ES had no special policies or programs for serving dislocated workers. Individual dislocated workers received services similar to those received by other job seekers. If they were receiving Unemployment Insurance (UI) or Food Stamps, the dislocated workers were subject to their state's "work test" requirement.

States' application of the work test was found to be a critical aspect of the likely effectiveness of the ES in serving dislocated workers. In conducting the work test, the ES certifies that people continue to be eligible for the assistance programs. To continue to be eligible, recipients must be able to work and available for jobs; they must also be free of disqualification for cause, such as having refused suitable employment. Although the UI system has the major responsibility for administering the work test, the ES refers claimants to jobs and monitors their search for work.

States have varied among themselves and over time in the strictness with which they enforce the work test. In some areas, UI recipients' use of the ES is mandatory early in their UI benefit period. In other areas, their use of the ES is, in essence, voluntary, and so may occur at any time.

Thus EDWAA -- which encourages dislocated workers use of the ES early -- was superimposed upon a system which in some places already mandated early use of the agency. The problem that arises for the ES is that its effectiveness in placing workers in jobs appears to depend heavily on the willingness of the workers to use its services, according to this report's findings. The ES is more effective when workers voluntarily choose to use the Agency than when they are required to do so.

The above findings with regard to the work test were not intended to diminish its importance in reducing the amount of time that UI claimants receive UI payments. Instead, they revealed that for the ES to be effective under EDWAA, the Agency must be cognizant of the possible impacts of its enforcement of the work test and also have the resources necessary to interest dislocated workers in using its services.

On a more positive note, with the enactment of EDWAA -- especially the establishment of Rapid Response Teams -- services to dislocated workers have become more targeted. The report found that ES services to another targeted group -- veterans -- are associated with veterans' greater likelihood than non-veterans of receiving job referrals and job search assistance. To the extent that parallels can be drawn between these two targeted groups, evidence from the 1980s suggests that ES services to dislocated workers are likely to be improved due to EDWAA.

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Commissioners McDonald and Niebla in discussion with staff member Hendrix.

JTPA and the Food Stamps program in both the level of the income cut-offs and the way the cut-offs are determined, JTPA's income cut-off is below that for Food Stamps in low cost-of-living areas. Thus, in these areas, people with family income between the higher Food Stamp income requirement and the lower JTPA income requirement, only can enroll in JTPA if they first apply for, and receive, Food Stamps. The issue for Hispanics is that, especially in the Mexican-American community, many who are eligible for Food Stamps do not participate in the Food Stamp program due, in part, to a cultural preference for not relying on the government.

Based on that finding, the Commission recommended that "Receipt of Food Stamps as an eligibility requirement should be removed from the law and replaced with eligible for Food Stamps." That recommendation was adopted by the House Committee on Education and Labor and incorporated into the JTPA Amendments legislation.

Native Americans and JTPA. Congress also adopted the Commission's recommendations on Native Americans. In its January 1989 report An Overview of the Labor Market Problems of Indians and Native Americans, the Commission noted that there were a large number of federal programs for Indians, ranging in assistance from housing health, and transportation services to education and training for jobs. The programs in a whole host of federal departments and agencies that provide services to Indians have a high degree of overlap and fragmentation. In response to these findings, the Commission recommended that "Because of the lack of coordination of federal programs to assist Indians, it is . . . recommended that . . . legislation . . . include efforts to improve the coordination of programs within the federal government and among Indian tribes."

The JTPA Amendments legislation built on the Commission's recommendation by providing that "The Secretary [of Labor] shall designate a single organizational unit which shall have as its primary responsibility the administration of all Native American programs authorized under the [Job Training Partnership] Act. Such organizational unit shall (a) be accountable for administering the provisions of all Native American programs authorized under this Act, including the monitoring of such programs and making recommendations regarding the selection of all recipients of financial assistance; (b) be accountable for the development of all policies and procedures related to the implementation of such programs; and (c) coordinate the development of policy and procedures for all employment and training programs within the Department relating to services for Native American workers."

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